

CREDO PETROLEUM CORP  
Form 10-Q  
June 14, 2005

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2005

**TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-8877

**CREDO PETROLEUM CORPORATION**

(Exact name of registrant as specified in its charter)

**Colorado**

(State or other jurisdiction of incorporation or organization)

**84-0772991**

(IRS Employer Identification No.)

**1801 Broadway, Suite 900  
Denver, Colorado**

(Address of principal executive offices)

**80202**

(Zip Code)

**303-297-2200**

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, net of treasury stock, as of the latest practicable date.

<b>Date</b>	<b>Class</b>	<b>Outstanding</b>
June 10, 2005	Common stock, \$.10 par value	6,055,508

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**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES**

**Quarterly Report on Form 10-Q For the Period Ended April 30, 2005**

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The terms CREDO, Company, we, our, and us refer to CREDO Petroleum Corporation and its subsidiaries unless the context suggests otherwise.



## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES**  
**Consolidated Balance Sheets**

	April 30, 2005 (Unaudited)	October 31, 2004
<b>A S S E T S</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 959,000	\$ 518,000
Short term investments	5,009,000	6,371,000
Receivables:		
Accrued oil and gas sales	2,578,000	2,051,000
Trade	933,000	1,019,000
Other	790,000	58,000
Total current assets	10,269,000	10,017,000
Oil and gas properties, at cost, using full cost method:		
Evaluated oil and gas properties	33,150,000	30,072,000
Unevaluated oil and gas properties	2,692,000	2,174,000
Less: accumulated depreciation, depletion and amortization of oil and gas properties	(13,709,000)	(12,737,000)
Net oil and gas properties, at cost, using full cost method	22,133,000	19,509,000
Exclusive license agreement, net of amortization of \$326,000 in 2005 and \$291,000 in 2004	373,000	408,000
Other, net	404,000	1,042,000
	\$ 33,179,000	\$ 30,976,000
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 2,954,000	\$ 4,394,000
Income taxes payable	19,000	12,000
Total current liabilities	2,973,000	4,406,000
<b>LONG-TERM LIABILITIES:</b>		
Deferred income taxes, net	5,602,000	4,605,000
Exclusive license obligation, less current obligations of \$58,000	297,000	297,000
Asset retirement obligation	743,000	748,000
Total liabilities	9,615,000	10,056,000
<b>COMMITMENTS</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, no par value, 5,000,000 shares authorized, none issued		
Common stock, \$.10 par value, 20,000,000 shares authorized, 6,340,000 shares issued in 2005 and 2004	634,000	634,000
Capital in excess of par value	12,577,000	12,463,000
Treasury stock, at cost, 296,000 shares in 2005 and 303,000 in 2004	(407,000)	(452,000)

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Accumulated other comprehensive loss	(41,000)	(437,000)
Retained earnings, net of \$6,272,000 related to 20% stock dividend in 2003	10,801,000	8,712,000
Total stockholders' equity	23,564,000	20,920,000
	\$ 33,179,000	\$ 30,976,000

The accompanying notes are an integral part of these consolidated financial statements.

## CREDO PETROLEUM CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations

(Unaudited)

	Six Months Ended April 30,		Three Months Ended April 30,	
	2005	2004	2005	2004
<b>REVENUES:</b>				
Oil and gas sales	\$ 5,389,000	\$ 4,706,000	\$ 3,004,000	\$ 2,101,000
Operating	323,000	292,000	164,000	155,000
Investment income and other	96,000	125,000	34,000	17,000
	<b>5,808,000</b>	<b>5,123,000</b>	<b>3,202,000</b>	<b>2,273,000</b>
<b>COSTS AND EXPENSES:</b>				
Oil and gas production	1,130,000	932,000	642,000	472,000
Depreciation, depletion and amortization	1,042,000	791,000	565,000	362,000
General and administrative	715,000	667,000	346,000	336,000
Interest	19,000	23,000	10,000	11,000
	<b>2,906,000</b>	<b>2,413,000</b>	<b>1,563,000</b>	<b>1,181,000</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>2,902,000</b>	<b>2,710,000</b>	<b>1,639,000</b>	<b>1,092,000</b>
<b>INCOME TAXES</b>	<b>(813,000)</b>	<b>(759,000)</b>	<b>(459,000)</b>	<b>(306,000)</b>
<b>NET INCOME</b>	<b>\$ 2,089,000</b>	<b>\$ 1,951,000</b>	<b>\$ 1,180,000</b>	<b>\$ 786,000</b>
<b>EARNINGS PER SHARE OF COMMON STOCK - BASIC</b>	<b>\$ .35</b>	<b>\$ .32</b>	<b>\$ .20</b>	<b>\$ .13</b>
<b>EARNINGS PER SHARE OF COMMON STOCK - DILUTED</b>	<b>\$ .34</b>	<b>\$ .32</b>	<b>\$ .19</b>	<b>\$ .13</b>
Weighted average number of shares of Common Stock and dilutive securities:				
Basic	6,040,000	6,011,000	6,042,000	6,018,000
Diluted	6,204,000	6,162,000	6,213,000	6,182,000

The accompanying notes are an integral part of these consolidated financial statements.

**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES**

**Statement of Stockholders' Equity and Comprehensive Income**

**(Unaudited)**

For the Six Months Ended April 30, 2005

	Common Stock		Capital In	Treasury	Accumulated	Comprehensive	Retained	Total
	Shares	Amount	Excess Of	Stock	Other	Income	Earnings	Stockholders
			Par Value		Comprehensive			Equity
					Loss			
Balance, October 31, 2004	6,340,000	\$ 634,000	\$ 12,463,000	\$ (452,000)	\$ (437,000)		\$ 8,712,000	\$ 20,920,000
Comprehensive Income:								
Net income						\$ 2,089,000	2,089,000	2,089,000
Other comprehensive income:								
Change in fair value of derivatives, net of tax								